Benefits from CAFTA-DR
Michigan

U.S. Department of Commerce
International Trade Administration
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Michigan's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $125 million in 2004, more than double the $61 million worth of goods the state shipped to CAFTA-DR markets in 2000.

From 2000 to 2004, Michigan ranked ninth among the states in percentage growth of exports to the CAFTA-DR group. From 2003 to 2004, Michigan posted the 11th-largest dollar gain in exports to the region.

Michigan's leading market in the CAFTA-DR region is the Dominican Republic (2004 exports of $31.4 million), followed by Guatemala ($26.2 million), Honduras ($23.6 million), Costa Rica ($20.6 million), Nicaragua ($16.3 million), and El Salvador ($7.2 million).

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

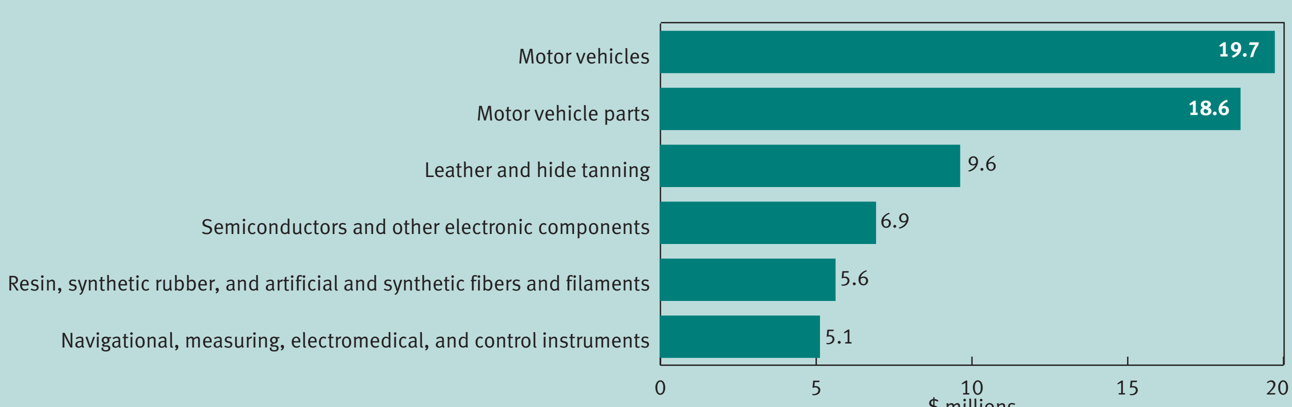
CAFTA-DR will boost opportunities for Michigan's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over ten years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

Continued on reverse

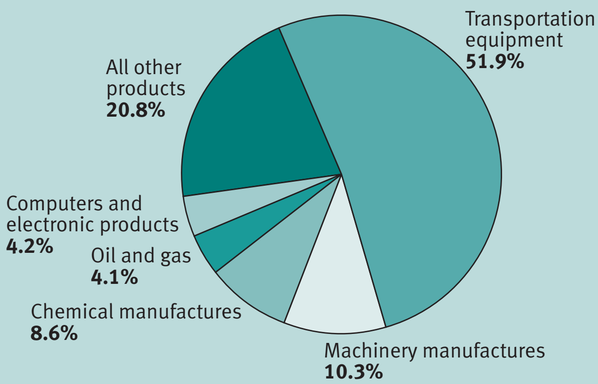
Michigan Exported $121.1 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004
Motor Vehicles and Parts Are Top Categories



Source: U.S. Department of Commerce.

Michigan Exported $35.6 Billion in Goods to the World in 2004

Transportation Equipment Dominates



Source: U.S. Department of Commerce.

CAFTA-DR Will Eliminate High Regional Tariffs on Motor Vehicles and Parts

Exports of transportation equipment, mainly motor vehicles and parts, account for more than half of Michigan's total exports to the world and nearly one-third of the state's shipments to the CAFTA-DR nations. In 2004, the top exports from Michigan to the CAFTA-DR countries were motor vehicles ($19.7 million) and motor vehicle parts ($18.6 million). CAFTA-DR will eliminate the 11 percent average tariff that the Central American countries and the Dominican Republic impose on autos and parts. Of particular note, the CAFTA-DR will eliminate El Salvador's 30 percent auto tariff.

High-Tech Exports Are Important for Michigan

In 2004, Michigan exported $6.9 million in semiconductors and other electronic components to the CAFTA-DR region. CAFTA-DR improves market access for information technology goods and service providers. All exports of products covered by the Information Technology Agreement, including important Michigan exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement. Additionally, virtually all exports of precision instruments will be duty free immediately.

CAFTA-DR Opens Markets for Other Key Michigan Exports

The state's exports to CAFTA-DR countries are dominated by manufactured goods, which in 2004 comprised 97 percent of Michigan's total exports to the region. Other top exports included leather and tanned hides ($9.6 million), resins and synthetic fibers ($5.6 million), and navigational, measuring, electromedical, and control instruments ($5.1 million).

Chemical manufactures. In 2004, Michigan exported $3.1 billion in chemical manufactures worldwide. Its top chemical exports to the CAFTA-DR countries include resins and synthetic fibers. Michigan's exporters of chemicals and related products will benefit from CAFTA-DR tariff reductions. Tariffs on high-value chemical products such as resin, artificial fibers and filament, residual pharmaceuticals, medications, and insecticides/herbicides will, in most cases, be phased out immediately or over five years.

Processed foods. Michigan exported $398 million in processed foods worldwide in 2004. The CAFTA-DR agreement, when implemented, will stimulate new opportunities for Michigan businesses in this sector. Demand in Central America and the Dominican Republic for imported processed products has been expanding substantially in recent years, despite high tariffs. U.S. suppliers of processed food will benefit from CAFTA-DR tariff elimination provisions.

Michigan's Farmers Will Benefit from CAFTA-DR

Despite more than $1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries impose high tariffs and other barriers on most agricultural products, including those important to Michigan, such as dairy, soybean, corn, vegetable, beef, and fruit and related products. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. More than 50 agricultural industry and farm groups, including the American Farm Bureau, support the free trade agreement.

For more information on agricultural exports and the CAFTA-DR agreement, see the state fact sheets posted by the U.S. Department of Agriculture at *http://www.fas.usda.gov/itp/CAFTA/cafta.html*.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.